Perspective

Recent Regulatory Changes in China: Medical Devices
Seth Goldenberg and Esther Zhao

[This is an excerpt of an article that appeared in Bloomberg BNA Medical Devices Law & Industry Report, 7 MELR 632, 10/02/2013]

The CFDA has been active over the past several months in expanding and updating its regulatory process for medical devices in China. In July there were several new regulations, the most important of which include two new draft guidance documents, on medical device testing and adverse event monitoring, respectively, as well as a third guidance on several facets of the general regulation of medical devices, including medical device classification, that is expected to be released soon.

Medical Device Quality Supervision and Sample Testing Regulations (Draft)
The new draft guidance addresses several facets of the CFDA’s device testing process. It establishes timelines for completion of testing, specifies testing standards across regional testing bodies, standardizes submission requirements, and provides for the prompt return of submitted samples. CFDA testing bodies and manufacturers alike will be enlisted in improving the current medical device testing process in China. One key welcome change is that the return of samples has become mandated.

Further Improvement on Construction of a Medical Device Adverse Event Monitoring System (Draft)
Under these new regulations, device manufacturers doing business in China, as well as regulatory bodies within China, will be responsible for creating an effective AE collection and reporting system. This will likely require significant
China Regulatory & Industry Monthly

Guidance & Alerts

**CFDA issues draft guidance on new penalties for regulatory violations**

CFDA 9/22/13

In a sign of the CFDA's regained ministry-level powers, they have released a new draft guidance on penalties for companies that violate CFDA regulations (full text in Chinese: [http://www.chinalaw.gov.cn/article/xwzx/tpxw/201309/20130900391579.shtml](http://www.chinalaw.gov.cn/article/xwzx/tpxw/201309/20130900391579.shtml)). The draft guidance is open for public comment until October 22. Chapter 5 has the most significant changes, and describes the punitive damages that can be sought for violators, including fines, seizure of property, and other actions. It also describes the hearing process that will be used to determine if disciplinary action is warranted when violations are identified.

**China increases rural medical insurance subsidies**

MOH 9/11/13

Increases in the cost of medical insurance for rural residents will be offset in part by increased government subsidies in 2013, China's health authority announced in September. The premium rural residents pay will only increase slightly. Under the new rural cooperative medical program, the annual government grant for each rural resident will rise from 240 RMB to 280 RMB (~$46), according to a statement from the National Health and Family Planning Commission (NHFPC). The subsidy program provides for crucial vaccinations and includes coverage for emergency care, covering half of most premiums. Under the program, rural residents will pay a premium of 70 RMB per person annually (20 RMB more than in 2012) and the subsidy grant will pay 280 RMB, bringing the total cost for covering each person to 350 RMB, up from 290 RMB in 2012. China launched the rural insurance program in 2003 in a bid to ensure that the country’s vast number of rural residents have access to affordable medical treatment and to reduce disease-triggered poverty. The number of people covered by the program has skyrocketed from 80 million to more than 800 million, or 99% of the country’s total rural population, the NHFPC’s figures showed. The average per-person cost has risen from 30 RMB in 2003 to the current 350 RMB.

**Quality & Safety**

**China launches juice probe after rotten fruit report**

CFDA 9/24/13

The CFDA has launched an investigation into local juice makers after it was reported in the media that rotten fruit was being used in their products. The probe includes two branches of the country's sector leader, China Huiyuan Juice Group. Farmers in several Chinese provinces allegedly sold rotten fruit to distributors, which was then bought by canned fruit producers and juice manufacturers to cut costs, the 21st Century Business Herald reported in an article last month. “We take this very seriously and have deployed food safety teams in Anhui, Jiangsu, Shandong, and...”

“...changes throughout the healthcare system. The goal is to have a functioning platform in place by the end of 2014, with 1 year of review and testing prior to official release in 2015.

**Medical Device Supervision and Regulation (draft not yet released)**

This medical device supervision and regulation draft guidance contains overarching changes that will impact medical device manufacturers throughout the medical device lifecycle, from approval through distribution. Included in the guidance will be changes to medical device classification/category management, further refinements to the medical device recall system that was established in 2011, new regulations governing medical device advertising, and plans for the establishment of a medical device adverse event monitoring system (see above).

These regulatory changes are all relatively new and there are no public case studies to date about how the CFDA will enforce them. However, they do show a clear interest and intent by the CFDA to change how medical devices are regulated in China. These changes have the potential to better protect the public health through improved AE reporting and manufacturing monitoring, while also improving the regulatory approval process for medical device innovators with clearer testing and classification guidance.
other provinces to immediately open an investigation,” the CFDA said in a statement on their website.

“China is now home to the world’s largest diabetes population. An estimated 113.9 million Chinese adults 18 years or older—60.5 million men and 53.4 million women—had diabetes in 2010.”

Healthcare Updates

Diabetes on the rise in China
Wall Street Journal 9/4/13
China is now home to the world’s largest diabetes population. An estimated 113.9 million Chinese adults 18 years or older—60.5 million men and 53.4 million women—had diabetes in 2010, according to a demographic study published last month in the Journal of the American Medical Association that surveyed nearly 99,000 Chinese adults 3 years ago (Xu Y, et al. JAMA; 2013;310:948-59). In addition, the estimated number of Chinese adults who have early signs of the disease (prediabetes)—493.4 million—is far greater than the entire population of the US (about 317 million). The findings are alarming, the authors concluded, signaling that China is facing a major public health problem. “These data suggest that diabetes may have reached an alert level in the Chinese general population, with the potential for a major epidemic of diabetes-related complications, including cardiovascular disease, stroke, and chronic kidney disease in China in the near future without an effective national intervention,” the report said.

Xinjiang receives 20 mobile clinics to promote women’s health
Women of China 9/11/13
On September 10, 2013, the Xinjiang People’s Government and the People’s Insurance Company (Group) of China signed cooperative agreements at the distribution ceremony of the Health Express for Mothers mobile clinics in Urumqi, capital of northwest China’s Xinjiang Uygur Autonomous Region. The agreements are intended to improve the quality and service level of the Health Express for Mothers program, in order to benefit more women in rural areas. Twenty mobile clinics worth 2.4 million RMB (~$392,000 USD) will travel to 20 counties and municipalities in Xinjiang to provide healthcare services to rural women and children. Secretary General Qin Guoying of the China Women’s Development Foundation (CWDF) said that she hoped women’s federations will carry out their full responsibilities in implementing the project, to ensure its sustainable development. CWDF representatives will visit Jimusaer County and Qitai County in the region’s Changji Hui Autonomous Prefecture to assess the project’s implementation there. The CWDF launched the Health Express for Mothers charity project in Xinjiang in 2005. It has donated 133 mobile clinics to Xinjiang, which have covered 88 counties, municipalities, and districts. By June 2013, the program had provided free medical counseling to about 2.4 million people in Xinjiang, health checkups to 1.4 million, knowledge training to 400,000, and aid to more than 24,000 pregnant and bedridden women, as well as healthcare services for almost 3,000 terminal patients.

“Promotion and publicity of breast milk substitutes in any form is prohibited at hospitals and clinics.”

NHFPC reiterates infant formula rules to stop promotion of formula in hospitals
Xinhua News 9/17/13
The NHFPC told hospitals this September to strictly abide by the law governing breast milk substitutes, warning against promoting such products. An NHFPC representative made the remarks after local media reports alleged secret deals between hospitals in Tianjin City and infant formula brands. The commission stressed in a circular that medical institutions may not accept donations, kickbacks, or benefits in any forms from manufacturers or marketers of breast milk substitutes. Violators will be investigated and penalized strictly in accordance with the law, and those found to be engaged in commercial bribery will be subject to criminal charges. Promotion and publicity of breast milk substitutes in any form is prohibited at hospitals and clinics, the circular said, adding that hospitals or their staff must not promote or supply such products to pregnant women or the families of newborns. Instead, hospitals and their staff are urged to actively promote breast feeding.

Guangdong to try alternatives to increase organ donation
Xinhua News 9/15/13
South China’s Guangdong Province is establishing organ procurement organizations (OPO) and will publish names of those organizations and their services in October, local health authorities said on Saturday. The Guangdong Department of Health said that 80 medical personnel will receive training and become coordinators working at the newly established OPOs. Zhang Wei, an official of the department, said that because Guangdong has a large demand for organ transplants the province will create several OPOs. Information on organs collected by OPOs will be recorded in the OPOs system,
and hospitals in the province will be given priority in receiving organs, Mr. Zhang said. The NHFPC issued new regulations in August that are intended to ensure fairness and transparency in human organ distribution. The law took effect on September 1, and stipulates that organs shall be obtained by OPOs authorized by provincial health authorities, and distribution of the organs must be done through the China Organ Transplant Response System (http://www.cot.org.cn).

**Device Updates**

**CFDA approves Ventana’s immunohistochemistry assay**
Ventana 9/12/13
Ventana Medical Systems, Inc (Ventana), a member of the Roche Group, today announced the approval of the Ventana ALK immunohistochemistry assay as a companion diagnostic to aid in the identification of cancer patients who may benefit from Pfizer’s CFDA-approved anaplastic lymphoma kinase (ALK) inhibitor crizotinib (Xalkori). The Ventana ALK (D5F3) Rabbit Monoclonal Primary Antibody assay is designed to identify ALK-positive non-small cell lung cancer (NSCLC) patients. The approval is based on a retrospective study that included 1100 Chinese subjects across three national hospitals, in which the assay demonstrated 99.23% concordance with Abbott’s Vysis ALK Break Apart FISH Probe Kit.

Lung cancer is the leading cause of cancer-related death worldwide, and NSCLC is the most common subtype. One important biomarker in NSCLC is the ALK fusion gene, which is associated with pathologic expression of an ALK fusion protein. The detection of ALK positivity is very important for NSCLC patients because inhibition of ALK tyrosine kinase has led to tumor shrinkage for those patients who are ALK-positive. Xalkori, an oral first-in-class therapy indicated for the treatment of locally advanced or metastatic ALK-positive NSCLC, has been shown to block important growth and survival pathways that may shrink or slow tumor growth.

**Dynex Technologies receives CFDA approval for DSX automated ELISA processing system**
Dynex/Geeks News Desk 9/25/13
Dynex Technologies announced it has received approval from the CFDA to market its DSX automated enzyme-linked immunosorbent assay (ELISA) processing system in China. The DSX ELISA processing system is for diagnostic assays in clinical laboratories, and is capable of quickly and accurately handling four microplates per assay run, greatly reducing required manual technician time while improving the speed and reliability of test results. The CFDA approval for the DSX system is effective for 4 years and allows Dynex to provide broader automation options to assay developers and clinical technologists throughout China.

**Drug Updates**

**Ironwood and AstraZeneca initiate phase 3 trial in China of linaclotide for IBS-C**
AZ 9/10/13
Ironwood Pharmaceuticals and AstraZeneca Pharmaceuticals today announced the initiation of a phase 3 clinical trial in China of linaclotide for the treatment of adults with irritable bowel syndrome with constipation (IBS-C). Linaclotide is currently approved in the US for adults with IBS-C or chronic idiopathic constipation (CIC) and in the EU for adults with moderate to severe IBS-C. “IBS-C is estimated to affect at least 13 million adults in China, causing symptoms such as abdominal pain and constipation,” said David Snow, President of AstraZeneca China. “If approved in China, linaclotide could be the first prescription treatment specifically for IBS-C and could help address an unmet need for millions of suffering patients.” The double-blind, randomized, placebo-controlled phase 3 clinical trial is expected to enroll approximately 800 adults with IBS-C in China, Australia, and New Zealand.

**Investigation of pharmaceutical companies in China widens**
South China Morning Post 9/13/13
The German pharmaceutical conglomerate Bayer has become the latest target of an ongoing investigation in China into malpractice in the pharmaceutical industry. China’s Federation of Industry and Commerce contacted a Bayer office in China in relation to an investigation into anti-trust offenses, Bayer’s spokesman Guenter Forneck told the South China Morning Post in an e-mailed statement. “We assume that this contact is related to a wider investigation into the pharmaceutical industry in China,” he wrote. The German company is the latest pharmaceutical giant to be tied to an investigation that first came to light 2 months ago with the announcement by police in Changsha, Hunan province, of a probe into alleged “economic crimes” by employees of the British drug firm GlaxoSmithKline. The US firm Eli Lilly, the French firm Sanofi, the Danish firms Novo Nordisk and H Lundbeck, the British firm AstraZeneca, and the Belgian firm UCB have also said they have been contacted by Chinese investigators. In July, the National Development and Reform Commission said it was contacted by Chinese investigators. The German company is the latest pharmaceutical giant to be tied to an investigation that first came to light 2 months ago with the announcement by police in Changsha, Hunan province, of a probe into alleged “economic crimes” by employees of the British drug firm GlaxoSmithKline. The US firm Eli Lilly, the French firm Sanofi, the Danish firms Novo Nordisk and H Lundbeck, the British firm AstraZeneca, and the Belgian firm UCB have also said they have been contacted by Chinese investigators. “The NHFPC issued new regulations in August that are intended to ensure fairness and transparency in human organ distribution.”
Industry Insights

J&J reaches conclusion in monopoly case
AP 9/1/13
Healthcare giant Johnson & Johnson says it has put a legal dispute behind it after a Chinese court ordered it to pay compensation to a former distributor under an anti-monopoly law. Thursday’s ruling said Johnson & Johnson was guilty of “vertical monopoly” for setting minimum prices its distributors charged for surgical sutures. The court noted that J&J has stopped the practice, but ordered it to pay 530,000 RMB ($85,000) to a Chinese distributor that lost potential sales due to the restriction. “While we are disappointed with today’s ruling by the Higher People’s Court of Shanghai, we are pleased to have put this matter behind us and look forward to continuing to provide our high quality products and services to healthcare institutions and patients in China,” said J&J in a statement. Lawyers said the ruling indicates Chinese authorities are stepping up anti-monopoly investigations. The ruling was the first of its kind against a Fortune 500 company under China’s 5-year-old anti-monopoly law, according to lawyers and Chinese news reports.

GE & JHL Biotech to build KUBio modular biopharmaceutical factory in China
GE 9/25/13
GE Healthcare Life Sciences, a business unit of GE Healthcare, and JHL Biotech, a provider of biopharmaceutical process development and manufacturing services, today announced that a KUBio modular biopharmaceutical factory will be built in China for JHL Biotech. The site for the new factory, which will be fully operational beginning early 2015, is the Biolake Science Park in Wuhan, China. Worldwide demand for biopharmaceuticals, such as antibodies for the treatment of cancer and a new generation of innovative vaccines, is increasing dramatically. KUBio is a new approach to establishing biopharmaceutical manufacturing capacity that delivers a fully functional, ready-to-run, cGMP-compliant bioprocessing facility in 14-18 months, significantly shorter than the time it takes for a traditional facility.

China-US college venture focuses on public health
China Daily, 9/24/13
Duke Kunshan University (DKU), a new China-US joint venture, will establish a global health research institute to study China’s public health issues in a global perspective. The Ministry of Education formally approved the college, formed by Duke and Wuhan University and located in Kunshan, Jiangsu province, on September 12. DKU will offer degree and nondegree academic programs for students from China and around the world. The first group of students will start in the fall next year. “In recent years, public health issues have gained more attention, and many world-class universities have carried out research in the field,” Liu Jingnan, chancellor of DKU and former president of Wuhan University, said at a news conference last month. “The Global Health Institute of DKU will carry out research based on the Chinese population, and focus on the study of infectious diseases, chronic diseases, and their influence on the social economy.” He also announced DKU’s first master’s degree programs, in global health, medical physics, and management studies.

Shanghai trade zone allows free RMB conversion
State Council 9/17/13
More details are emerging about a new free trade zone in China that will allow the Chinese currency to be more easily traded. China has officially unveiled a plan for its first free trade zone in Shanghai, shedding light on the reform path of the new leadership as it aims to transform the world’s second-largest economy. The government will allow free RMB convertibility under the capital account on a trial basis, and test market-set interest rates and cross-border use of RMB in the zone, according to the plan issued by the State Council. Restrictions on foreign investment will also be eased, as regulations on operations of foreign firms and Sino-foreign joint ventures will be “temporarily adjusted” in the zone for the next 3 years. The zone will be “an experimental field to push forward reforms, improve the open economy, and accumulate experience that can be duplicated and promoted,” the Council said in a statement while announcing the plan. No mention was made of a reported plan to liberalize the country’s tightly-controlled Internet sector in the zone.

Private healthcare group secures $49M in investment funds
China Daily 9/3/13
One of China’s largest private healthcare checkup service providers, Meinian Onehealth Healthcare (Meinian Onehealth), has secured a total of 300 million RMB ($49 million USD) in investments from Pingan Insurance Co of China, Carlyle Group, and Cathay Capital’s Sino-French Fund. This is the second round of large-scale financing received by the company after Carlyle Group’s initial investment in August 2012. Meinian Onehealth operates more than 100 health check clinics and medical centers in China, covering 45 cities across 25 provinces. Meinian Onehealth predicted that in 2013 it will serve more than 5 million customers, representing 50% growth. “Meinian Onehealth has already reached its strategic objective of providing coverage to the vast majority of China’s first and second-tier cities,” said Yu Rong, Meinian Onehealth chairman.
Public Conferences

Please note: As of September 1, 2013, there is a new Chinese visa application form. Please click here for a pdf of the new form.

China Orthopedic Corrective Technology Summit 2013 (OrthoTec China 2013)
September 25-26, 2013, Shanghai, China

With China’s rising income levels, aging population, and improvements in healthcare coverage and medical reimbursement, the Chinese orthopedic device market grew at a compounded annual growth rate (CAGR) of 20.5% during 2006-2011, reaching 8.32 billion RMB annually. OrthoTec China 2013 will give you the latest in regulatory updates and in-depth analysis of current market trends by bringing together researchers, manufacturers, business experts, and government officials for in-depth dialogue and networking. Attendees of this year’s summit will include orthopedic device researchers, market development experts, regulatory liaisons, production operations managers, and quality/QC experts. Industry representatives will include orthopedists, biomaterials manufacturers, machinery & equipment manufacturers, packaging manufacturers, and medical equipment manufacturers, as well as legal and regulatory experts.

2013 BIO Convention in China
November 11-13, 2013, Beijing, China
http://www.bio.org/events/conferences/bio-convention-china

The BIO Convention in China brings together executives from the biotechnology, pharmaceutical, and investment industries from Europe, North America, and Asia to meet and explore business opportunities within China’s emerging biotech sector. The 2012 BIO Convention in China had a diverse representation of attendees and countries, with a strong biotech and pharma presence. The BIO Convention in China is organized by the Biotechnology Industry Organization (BIO), which organizes BIO International Convention, the world’s largest annual biotech conference. BIO represents more than 1,100 biotechnology companies, academic institutions, state biotechnology centers, and related organizations across the US and in more than 30 nations worldwide.

ChinaTrials 2013 Global Clinical Development Summit
November 13-15, 2013, Beijing, China
http://www.chinatrialsevent.com

China Trials 2013 will focus on the business and science of clinical development in China, including identifying qualified investigators & sites and maintaining stable clinical development teams. Updates on the latest in clinical trial design and innovations will be discussed and successful case studies on regulatory submissions and filings will be presented. ChinaTrials is created by and for pharma and biotech industry executives, which makes the depth and relevance of the topics covered unmatched by any other event.

NDDS 2013: Novel Drug Delivery System & Clinical Trial Management China 2013
November 27-28, 2013, Shanghai, China

The global drug delivery systems (DDS) market is projected to reach $196.4 billion by 2014, the global injectable DDS market is expected to be worth $30 billion by 2015, and there are over 1400 sustained/controlled-release drugs worldwide. The continually improving delivery systems of these drugs benefits patients by offering options such needle free-delivery and dose reduction of active ingredients. Novel drug delivery is one of the fastest growing pharmaceutical sectors, and the three most promising drug delivery fields in China are sustained/controlled-release oral DDS, injection DDS, and nanopartical DDS. China’s 12th 5-Year Plan for Key New Drug R&D Projects has set novel DDS as a key development trend. Attend NDDS 2013 for a deeper understanding of DDS development and industrialization, as well as to gain insight about current developments and regulations.